

## Cost Approach Summary

3,226 Square Foot Office Bldg.		\$ 113,587.46
Physical Depreciation	42.9%	\$ (48,729.02)
Depreciated Cost		\$ 64,858.44
2,000 SF Garage		\$ 20,000.00
Physical Depreciation	50.0%	\$ (10,000.00)
Depreciated Cost		\$ 10,000.00
Site Improvements		\$ 25,000.00
Land Cost		<u>\$ 265,000.00</u>
Estimate of Value by Cost Approach		\$ 364,858.44

Say \$365,000

**The Cost Approach Indicates a Value of \$365,000**

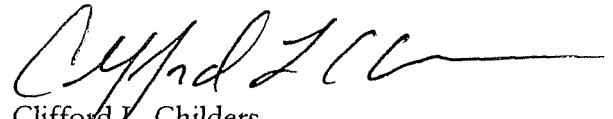
## Reconciliation

The Sales Comparison Approach to value has an indicated value of **\$345,000**. The Income Approach to value has an indicated value of **\$225,000** and indicates the highest and best use of the land is not being utilized as presently improved. The Cost Approach has an indicated value of **\$365,000**. All three approaches to value were utilized and relied on in estimating the Market Value of the subject. Taking all approaches into consideration and giving the most weight to the Sales Comparison Approach, a Fair Market Value of **\$325,000** is indicated.

**The Indicated Value of the Subject Property is \$325,000**

## Recap

Cost Approach	\$365,000
Income Approach	\$225,000
Sales Comparison Approach	\$350,000
Final Estimate of Value	\$325,000



Clifford L. Childers  
General Real Property Appraiser  
Certificate # 0615

# ADDENDA

## Analysis of Lease

The proposal is for the property to be leased for 30-years. The goal is to reduce this income stream to a value today, or to utilize the net present value function to establish a value of the income stream. Spreadsheet programs like Excel 2000 and financial calculators like the HP-12C can produce such values. The main problem is determining an adequate yearly rate of return for the equation. Alternate bands of investments have a key role in this equation. The investor looking into the income stream produced by net operating income the lease would have several alternative investments to invest their money and this figures into the annual rate of return to use in the equation.

Alternative investments would include, 90 day treasury bills, Certificate of Deposits, 1, 10, and 30-year Treasury Bills, and long term industrial bonds.

The various investments are producing the following rates, as reported by the Finance Section of the Yahoo.com website on the 14<sup>th</sup> of May 2003. They are:

	Latest Week %	Week Ago %	Month Ago %
90-Day T Bills	0.95	1.00	1.07
5 Year T-Bills	2.47	2.52	2.94
10 Year T-Bills	3.60	3.67	4.01
30 Year T-Bills	4.60	4.67	4.97
10 Year AAA Municipal Bonds	3.11	3.30	3.50
20 Year AAA Municipal Bonds	4.08	4.18	4.35
10 Year AAA Corporate Bonds	4.14	4.31	4.64
20 Year AAA Corporate Bonds	5.11	5.15	5.46

Net present values of different lease scenarios would be:

Net Present Value based upon a lease payments coinciding with annual rental rate for 30 years would be:

Annual Rent Payments		\$26,582.00	\$29,808.00
30-Year Total		\$797,460.00	\$894,240.00
	Annual	- NPV	
90-Day T Bills	0.95%	\$691,057.65	\$774,924.62
30 Year T-Bills	4.50%	\$432,991.24	\$485,539.19
20 Year AAA Muni Bonds	4.08%	\$455,224.72	\$510,470.94
20 Year AAA Corporate Bonds	5.11%	\$403,556.19	\$452,531.90
	6.00%	\$365,896.74	\$410,302.09
	8.00%	\$299,254.40	\$335,572.01

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D E E D

THIS DEED OF CONVEYANCE, made and entered into this 18<sup>th</sup> day of March, 1966, between WILLIAM ALCORN AND ANTHA ALCORN, his wife, parties of the first part, of Whitley City, Kentucky, and SOUTH KENTUCKY RURAL ELECTRIC CO-OPERATIVE CORPORATION, party of the second part, of Somerset, Kentucky,

W I T N E S S E T H :

That said parties of the first part, for and in consideration of the sum of One Dollar and other good and valuable consideration, the receipt of which is hereby acknowledged, do hereby grant, sell, and convey unto the party of the second part, its successors and assigns, the following described property:

A certain lot situated in McCreary County, Kentucky, north of Whitley City, adjacent to new U. S. Highway 27 and designated as Lot No. 3 on the map of Alcorn Property and bound as follows:

BEGINNING at an iron pin on the right of way line of U. S. Highway 27 and 50 feet from its center, being the corner to Lot No. 2; THENCE along the said lot N 80-30 E 150 feet to a stake, its corner; THENCE N 10-30 W 125 feet to a stake; THENCE S 80-30 W 150 feet to a pin in the said right of way and 50 feet from its center; THENCE S 10-30 E 125 feet with the said right of way to the beginning.

Being a part of the same land conveyed to grantors herein by deed from Matthew Jones and Mary Jones dated August 14, 1959 and recorded in Deed Book 54 page 324, McCreary County Clerk's Office.

To have and to hold the same, together with all the appurtenances thereunto belonging unto the party of the second part, its successors and assigns forever, with covenant of general warranty.

It is stipulated that should the second party fail to use this property for an office building or other exclusive use by the second party, the first parties shall have first option to repurchase same at the price paid by second party.

IN TESTIMONY WHEREOF, witness our signatures the day and  
year first above written.

William Alcorn  
Anthra Alcorn

\*\*\*\*\*

STATE OF KENTUCKY  
COUNTY OF McCREARY

I, Myrtle L. Ramsey, a Notary Public in and for  
the county and state aforesaid, certify that the foregoing deed  
from WILLIAM ALCORN AND ANTHRA ALCORN to SOUTH KENTUCKY RURAL ELECT-  
RIC CO-OPERATIVE CORPORATION was on this date produced to me in  
said county and acknowledged by WILLIAM ALCORN AND ANTHRA ALCORN  
parties thereto to be their act and deed.

Given under my hand this 18th day of March, 1966.

This deed was drafted by  
Homer W. Ramsey, Attorney,  
Whitley City, Kentucky.

Homer W. Ramsey

Myrtle L. Ramsey  
NOTARY PUBLIC

My com. exp. 9-24-66

State of Kentucky  
McCreary County

I, Carl Barnett, Clerk of the County Court for the County and  
State aforesaid certify that the foregoing Deed was on the 21st day  
of March 1966 lodged and recorded in my office.

Given under my hand this 21st day of March 1966.

Carl Barnett, Clerk.  
BY Donald Stephen B.C.

DEED OF CORRECTION

THIS DEED OF CORRECTION made and entered into this  
13 day of <sup>Sept. 1979</sup> ~~July~~, 1971, By and between WILLIAM ALCORN and  
ANTHA ALCORN, his wife, of Whitley City, McCreary County,  
Kentucky, parties of the first part, and SOUTH KENTUCKY RURAL  
ELECTRIC CO-OPERATIVE CORPORATION, of P. O. Box 910,  
Somerset, Pulaski County, Kentucky, party of the second part.

WITNESSETH: That whereas the parties of the first part  
attempted to convey to the party of the second part the property  
hereinafter more fully described by a certain Deed dated 18th day of  
March, 1966, and of record in Deed Book 61, Page 66,  
in the office of the County Court Clerk of McCreary County, Kentucky,  
but through error said Deed did not properly, accurately and fully  
describe the property to be conveyed therein, and whereas it is the  
desire of the parties hereto to correct said error; now, therefore, for  
a valuable consideration heretofore paid, the receipt whereof is hereby  
acknowledged in full, the parties of the first part do by this instrument  
and these presents, grant, sell, bargain and convey unto the party of  
the second part, its successors and assigns, the following described  
real property, to-wit:

A certain lot situated in McCreary County, Kentucky,  
north of Whitley City, adjacent to new U. S. Highway  
27 and designated as Lot No. 3 on the map of Alcorn  
Property and bound as follows:

BEGINNING at an iron pin on the right of way line of  
U. S. 27 and 50 feet from its center, being the corner  
of Lot No. 2; thence North ~~75~~<sup>60</sup> degrees East 163.12 feet  
to a stake, its corner; thence North 11 degrees West ~~125.00~~<sup>80</sup>  
~~feet to a spike in the blacktop; thence South 75~~  
degrees West 143.12 feet to a stake, said stake being on  
the right of way line of U. S. 27 and 70 feet from its center;  
thence with said right of way line South 11 degrees East  
82.00 feet to a spike in the blacktop, said spike being 70



feet from the center of U. S. 27; thence with the right of way line South <sup>80</sup>~~78~~ degrees West 20.00 feet to a spike in the blacktop, said spike being 50 feet from the center of U. S. 27; thence with said right of way line South 11 degrees East 43.00 feet to the point of beginning.

Being a part of the same property conveyed to the grantors herein by Deed from Matthew Jones and Mary Jones dated August 14, 1959, and recorded in Deed Book 54, Page 324, McCreary County Clerk's Office, Kentucky.

TO HAVE AND TO HOLD the same, together with all the appurtenances thereunto belonging unto the party of the second part, its successors and assigns, forever, with Covenant of General Warranty of Title.

It is stipulated that should the second party fail to use this property for an office building or other exclusive use by the second party, the first parties shall have first option to repurchase same at the price paid by second party.

In Testimony Whereof, witness the signatures of the parties of the first part, this the day and year first above written.

✓ William Alcorn  
✓ Antha Alcorn

STATE OF KENTUCKY  
SCT)  
COUNTY OF McCREARY

I, the undersigned, a Notary Public in and for the County and State aforesaid, do hereby certify that the foregoing Deed of Correction from William Alcorn and Antha Alcorn, his wife, to South Kentucky Rural Electric Co-operative Corporation, was this day produced to me in the aforesaid County and State by the said William Alcorn and Antha Alcorn, his wife, and was by each of them signed and acknowledged before me to be their voluntary act and deed.

In Testimony Whereof, witness my hand and notarial seal,

DATE 1-3-80 at Spartanburg, S.C.  
My Comm. Exp. 9-8-80

Donna Reed  
NOTARY PUBLIC

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 1st day of January, 1980.

W. D. Harris  
W. D. Harris, Attorney  
Somerset, Kentucky 42501

DEED TAX

DEED

PAID

25.00

THIS DEED OF CONVEYANCE, made and entered into this 13  
September  
day of ~~August~~, 1979, between WILLIAM ALCORN and ANTHA ALCORN,  
his wife, parties of the first part and SOUTH KENTUCKY RECC, of  
Whitley City, Kentucky, party of the second part,

W I T N E S S E T H :

That said parties of the first part, for and in consideration of the  
sum of \$25,000.00, the receipt of which is hereby acknowledged, do  
hereby grant, sell and convey unto the party of the second part, its successors  
and assigns, the following described property:

A certain tract of land situated in McCreary County,  
Kentucky, on the waters of Jenney's Branch, and lying immediately  
behind, and east of the present RECC building, east of U. S. 27  
in North Whitley City, and bound as follows:

BEGINNING at the southeast corner of the lot presently  
owned by South Kentucky RECC, it being in the north line of  
that certain property leased by Grantors herein, to Shell Gas  
Stations of Somerset, Inc., this said beginning corner being  
turned an angle of 91° 00' from the center line of U. S. 27 as  
it heads north, said angle being turned from the southwest corner  
of the said lot owned by South Kentucky RECC, it being also the  
northwest corner of the said leased property of Shell Gas Stations  
of Somerset, Inc.; thence running eastwardly with the north line  
of the property of Shell Gas Stations of Somerset, Inc., to a  
point in the east line of the property of Grantor herein, said  
point being near the drain running northwardly and in the line  
between corners 170 and 171 of U. S. A. tract 1356; thence  
running northwardly with said line to a point in the said U. S. A.  
line that is 269° 00' 125.00 feet from the line previously described;  
thence running westwardly, and parallel with the line first described  
herein, to the northeast corner of the lot presently owned by  
South Kentucky RECC, thence running southwardly at an angle  
of 269° 00' 125.00 feet, with the east line of the said South  
Kentucky RECC lot to the point of beginning.

Being a part of the same land conveyed to the grantors  
herein by deed from Matthew Jones et ux, dated August 14, 1959,  
and recorded in Deed Book 54, page 324, McCreary County  
Clerk's Office.

To have and to hold the same, together with all the appurtenances thereunto belonging unto the party of the second part, its successors and assigns forever, with covenant of general warranty.

IN TESTIMONY WHEREOF, witness our signatures the day and year first above written.

William Alcorn  
Antha Alcorn

STATE OF KENTUCKY  
COUNTY OF McCREARY

The foregoing instrument was acknowledged before me this 13  
day of September 1979, by William Alcorn and Antha Alcorn, parties thereto to be their act and deed.

This deed was drafted by  
Homer W. Ramsey, Attorney  
Whitley City, Kentucky

Homer W. Ramsey

Donnie Ren

NOTARY PUBLIC

My com. exp. 8-8-80

STATE OF KENTUCKY  
COUNTY OF McCREARY

I, Lester King, Clerk of the County and State aforesaid, certify that the foregoing was lodged for record, whereupon the same, with the foregoing and this certificate have been duly recorded in my office, in Deed Book No. 89 at page 615.  
Witness my hand this 20th day of September, 19 79.

Lester King, County Court Clerk

BY: John Meece

D.C.

**WARRANTY DEED with Notary and Clerk Certificates**

This Deed of Conveyance, made and entered into this 21st day of January 19 87  
between William Alcorn and wife, Antha Alcorn

PAID  
\$75.00

part ies of the first part, and South Kentucky Rural Electric Cooperative  
Corporation  
P.O. Box 910, Somerset, KY 42501

part y of the second part, WITNESSETH, that said part ies of the first part, for and in  
consideration of the sum of seventy-five thousand and no/100 (\$75,000.00) dollars,  
all cash in hand paid,

the receipt of which is hereby acknowledged, do — hereby sell and convey to the part y of the  
second part, its successors

~~here~~ and assigns, the following described property, to-wit:

A certain tract or parcel of land lying in McCreary County, Kentucky, on  
Jenny's Branch and U.S. 27  
and being a part of the land conveyed to the first part ies, by Matthew Jones and wife  
Mary Jones

by deed bearing date, August 14, 1959, which is duly recorded in deed  
book, 54, page 324, County Court Clerk's office, containing 2.24

acres, more or less. And bounded as follows, viz:

BEGINNING at Corner 1, set a steel pipe at the location of the northwest corner of the property of South Kentucky R.E.C.C., it being in the right-of-way line of U.S. 27 as determined by the monumentation by the engineers for the Highway Department at Station 311 + 00 of the centerline survey of the said Highway; thence three lines with the said highway right-of-way, as follows: (1) N 07° 54' W 116.53 feet to Corner 2, set a steel pipe at the 70 foot offset point from Station 301 + 00 of the centerline survey of the said Highway; (2) N 82° 06' E 50.00 feet to Corner 3, set a steel pipe at the 120 foot offset point; (3) N 07° 54' W 98.62 feet to Corner 4, set a steel pipe at the point of intersection of the said Highway right-of-way line with line 169 - 170 of the U.S.A. Tract 1356 which formerly adjoined the tract described herein, said Corner 4 being located about 6 feet north of a small branch, near the mouth of the culvert under the said Highway, and witnessed same as follows: 10-inch white oak, N 77° E 9.3 feet, U.S.A. Wit. Cor. Monument 2-1356, N 78½° E 31.0 feet, 4-inch poplar, S 16° E 26.8 feet; thence with portions of two lines of said former U.S.A. Tract 1356, present owner(s) unknown, as follows: (1) N 78° 28' E 420.85 feet to Corner 5, found U.S.A. witness Monument - Corner 170-1356, set on the bank of the branch, northeast of and just below the fork of the said branch; (2) S 03° 01' W 253.73 feet along and near the south fork of the said branch, to Corner 6, set a steel pipe at a point about 15 feet west of the said branch, it being the northeast corner of the said R.E.C.C. property, and witnessed said corner as follows: 12-inch red maple, N 18° E 14.5 feet, 18-inch yellow poplar, S 36° E 3.0 feet; thence S 83° 06' W 422.06 feet, passing a stake set as a line marker near the edge of the break of the hill at 172.06 feet, to Corner 1, the point of BEGINNING.

To have and to hold the same together with all the appurtenances thereunto belonging unto the  
part y of the second part, its successors

~~XXXX~~ and assigns forever, with covenant of General Warranty.

In testimony whereof, the part ies of the first part ha ve hereunto subscribed their  
name s the day and date aforesaid.

William Alcorn  
Antha Alcorn

This deed has been drafted by

J.B. Johnson, Jr.  
J.B. Johnson, Jr., Attorney  
STATE OF KENTUCKY  
MCCREARY

}  
County. } Sect.

I, Joyce Lewis, a Notary Public in and for the County and State aforesaid,  
do certify that the foregoing Deed from William Alcorn and wife, Antha Alcorn  
to South Kentucky Rural Electric was this day produced to me, and duly  
Cooperative Corporation  
acknowledged before me, in said County, by William Alcorn and wife, Antha Alcorn  
part ies thereto, to be their act and deed.

Given under my hand this 21st day of January 1987.

My Commission Expires 4/17/92 Joyce Lewis  
Notary Public, State at Large

STATE OF KENTUCKY,

MCCREARY County } Sect.

I, JO KIDD, Clerk of the County Court of the County aforesaid, do  
certify that the foregoing Deed from William Alcorn and wife, Antha Alcorn  
to South Kentucky Rural Electric Cooperative Corporation  
was, on the 21 day of January 1987, lodged in my office for record, and  
that it, the foregoing, and this certificate, have been duly recorded in my said office.

WITNESS my hand, this 21 day of January 1987.

RECORDED IN DEED BOOK 109  
Page 326.  
2:20 P.M.

JO KIDD Clerk  
By David Ball D. C.

WILLIAM ALCORN and  
wife, ANTHA ALCORN

TO: DEED  
SOUTH KENTUCKY RURAL  
ELECTRIC COOPERATIVE  
CORPORATION

TEAGUE, COX, DAVIS & JOHNSON  
ATTORNEYS AT LAW  
401 Main Street  
Williamsburg, Kentucky 40769

Lodged for Record

Recorded in Deed Book No.

Page

State Tax

Fee for Recording

TOTAL

Deed Tax

Additional Certificate

Additional Tract

## DEED OF CONVEYANCE

PARCEL NO. 135

THIS DEED, between South Kentucky Rural Electric Corporation, a Kentucky Corporation, P.O. Box 910, Somerset, Kentucky 42501 grantor, and the COMMONWEALTH OF KENTUCKY for the use and benefit of the TRANSPORTATION CABINET, DEPARTMENT OF HIGHWAYS, FRANKFORT, KENTUCKY 40622, grantee.

WITNESSETH: That the grantor in consideration of Seven Thousand One Hundred Dollars (\$ 7,100.00 ), cash in hand paid, the receipt of which is hereby acknowledged, has bargained and sold and does hereby sell, grant and convey to the grantee, its successors and assigns forever, the following described property and property rights:

PARCEL NO. 135, TRACT A

Being a tract of land lying in McCreary County along US 27 approximately 0.60 kilometers (0.37 miles) north of the intersection of US 27 and Strunk Ridge Road and more particularly described as follows:

Beginning at a point in the existing right of way line of US 27 15.240 meters (50.00 feet) right of US 27 Sta. 3+006.575; thence with the existing right of way line of US 27 North 11 degrees 56 minutes 41 seconds West, 13.100 meters (42.98 feet) to a point 15.240 meters (50.00 feet) right of US 27 Sta. 3+019.675; thence continuing with the existing right of way line of US 27 North 78 degrees 03 minutes 19 seconds East, 2.760 meters (9.06 feet) to a point in the proposed right of way line 18.000 meters (59.06 feet) right of US 27 Sta. 3+019.675; thence with the proposed right of way line South 11 degrees 56 minutes 41 seconds East, 13.205 meters (43.32 feet) to a point in the grantors south property line 18.000 meters (59.06 feet) right of US 27 Sta. 3+006.469; thence with said property line South 80 degrees 58 minutes 17 seconds West, 2.763 meters (9.06 feet) to the point of beginning.

The above described Parcel No. 135, Tract A contains 0.004 hectares (36 square meters, 0.009 acres, 391 square feet) of right of way.

59992

It is understood between the parties hereto and made a covenant herein that the above Parcel No. 135, Tract A, is conveyed in fee simple.

PARCEL NO. 135, TRACT B

Being a tract of land lying in McCreary County along US 27 approximately 0.60 kilometers (0.37 miles) north of the intersection of US 27 and Strunk Ridge Road and more particularly described as follows:

Beginning at a point in the existing right of way line of US 27 36.576 meters (120.00 feet) right of US 27 Sta. 3+080.635; thence with the existing right of way line of US 27 North 11 degrees 56 minutes 41 seconds West, 29.113 meters (95.51 feet) to a point in the grantors north property line 36.576 meters (120.00 feet) right of US 27 Sta. 3+109.747; thence with said property line North 76 degrees 22 minutes 14 seconds East, 23.434 meters (76.88 feet) to a point in the proposed right of way line 60.000 meters (196.85 feet) right of US 27 Sta. 3+110.436; thence with the proposed right of way line South 26 degrees 13 minutes 21 seconds West, 37.905 meters (124.36 feet) to the point of beginning.

The above described Parcel No. 135, Tract B contains 0.034 hectares (341 square meters, 0.084 acres, 3,670 square feet) of right of way.

It is understood between the parties hereto and made a covenant herein that the above Parcel No. 135, Tract B, is conveyed in fee simple.

PARCEL NO. 135, TRACT C

Being a tract of land lying in McCreary County along US 27 approximately 0.60 kilometers (0.37 miles) north of the intersection of US 27 and Strunk Ridge Road and more particularly described as follows:

Beginning at a point in the proposed right of way line 18.000 meters (59.06 feet) right of US 27 Sta. 3+006.469; thence with the proposed right of way line of US 27 North 11 degrees 56 minutes 41 seconds West, 13.205 meters (43.32 feet) to a point in the existing right of way line of US 27 18.000 meters (59.06 feet) right of US 27 Sta. 3+019.675; thence with the existing right of way line of US 27 North 78 degrees 03 minutes 19 seconds East, 3.336 meters (10.94 feet) to a point 21.336 meters (70.00 feet) right of US 27 Sta. 3+019.675; thence continuing with the existing right of way line of US 27 North 11 degrees 56 minutes 41 seconds West, 60.960 meters (200.00 feet) to a point 21.336 meters (70.00 feet) right of US 27 Sta. 3+080.635; thence

continuing with the existing right of way line of US 27 North 78 degrees 03 minutes 19 seconds East, 6.664 meters (21.86 feet) to a point in the proposed temporary easement line 28.000 meters (91.86 feet) right of US 27 Sta. 3+080.635; thence with the proposed temporary easement line South 11 degrees 56 minutes 41 seconds East, 74.548 meters (244.58 feet) to a point in the grantors south property line 28.000 meters (91.86 feet) right of US 27 Sta. 3+006.087; thence with said property line South 80 degrees 58 minutes 17 seconds West, 10.007 meters (32.83 feet) to the point of beginning.

The above described Parcel No. 135, Tract C contains 0.054 hectares (540 square meters, 0.133 acres, 5,814 square feet) of temporary easement for roadway construction and said easement terminates and reverts upon completion of the project.

PARCEL NO. 135, TRACT D

Being a tract of land lying in McCreary County along US 27 approximately 0.60 kilometers (0.37 miles) north of the intersection of US 27 and Strunk Ridge Road and more particularly described as follows:

Beginning at a point in the proposed right of way line 49.439 meters (162.20 feet) right of US 27 Sta. 3+097.000; thence with the proposed right of way line North 26 degrees 13 minutes 21 seconds East, 17.090 meters (56.07 feet) to a point in the grantors north property line 60.000 meters (196.85 feet) right of US 27 Sta. 3+110.436; thence with said property line North 76 degrees 22 minutes 14 seconds East, 10.004 meters (32.82 feet) to a point in the proposed temporary easement line 70.000 meters (229.66 feet) right of US 27 Sta. 3+110.730; thence with the proposed temporary easement line South 11 degrees 56 minutes 41 seconds East, 13.730 meters (45.05 feet) to a point 70.000 meters (229.66 feet) right of US 27 Sta. 3+097.000; thence continuing with the proposed temporary easement line South 78 degrees 03 minutes 19 seconds West, 20.561 meters (67.46 feet) to the point of beginning.

The above described Parcel No. 135, Tract D contains 0.021 hectares (207 square meters, 0.051 acres, 2,226 square feet) of temporary easement for roadway construction and said easement terminates and reverts upon completion of the project.

The above described property being a portion of the same tract of land conveyed to the grantor: South Kentucky Rural Electric Corporation by: William Aleoru and Antha Aleoru (his wife) by Deed bearing the date of (1) September 13, 1974, (2) September 13, 1974, (3) January 21, 1987 which is duly recorded in Deed Book



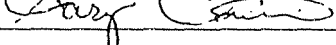
No. (1) 89, (2) 89, (3) 109 at Page (1) 612, (2) 615, (3) 326  
in the office of the County Clerk of McCreary County, Kentucky.

This proposed public highway improvement <sup>FDot-Conf</sup> for which the above described property is being acquired is identified as Somerset-Whitley City Road (U.S. 27); MARS Project No. 6043001R, the plans for which are on file in the office of the Transportation Cabinet in Frankfort, Kentucky. The acquisition of right of way on this project was authorized by Transportation Cabinet in Official Order No. 99283. The control of access on this project and access to the remaining property of the first party shall be by permit, as required to be set forth in Section 6 of the Kentucky Administrative Regulations (603 KAR 5:120).

TO HAVE AND TO HOLD said property and property rights unto the grantee, its successors and assigns, with all the rights and privileges thereunto belonging with covenants of General Warranty.

IN TESTIMONY WHEREOF the grantor execute this deed on this the 4<sup>th</sup> day of April, 2000.

South Kentucky Rural Electric  
Corporation, a Kentucky Corporation

By: 

## **General Underlying Assumptions**

### **Legal Matters**

The legal description used in this report is assumed to be correct, but it may not necessarily have been confirmed by survey. No responsibility is assumed in connection with a survey or for encroachments or overlapping or other discrepancies that might be revealed thereby. Any sketches included in the report are only for the purpose of aiding the reader in visualizing the property and are not necessarily a result of a survey.

No responsibility is assumed for an opinion of legal nature, such as to ownership of the property or condition of title.

The appraisers assume the title to the property to be marketable; that, unless stated to the contrary, the property is appraised as an unencumbered fee which is not used in violation of acceptable ordinances, statutes or other government regulations.

### **Unapparent Conditions**

The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable than otherwise comparable property. The appraisers are not experts in determining the presence or absence of hazardous substance, defined as all hazardous or toxic materials, water, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property.

The appraisers assume no responsibility for the studies or analysis which would be required to conclude the presence or absence of such substance or for loss as a result of the presence of such substances. The client is urged to retain an expert in this field, if desired. The value estimate is based on the assumption that the subject property is not so affected.

### **Information & Data**

Information, estimates, and opinions furnished to the appraisers and contained in the reports, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers can be assumed by the appraisers.

All mortgages, liens, encumbrances, and servitudes have been disregarded unless so specified within the appraisal report.

### **Contingent and Limiting Conditions**

The certification of the appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the appraiser in the report.

1. The appraiser assumes no responsibility for matters legal in nature affecting the property appraised or the title thereto nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.
3. The appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the appraiser and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser can be assumed by the appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Uniform Standards of Professional Appraisal Practice (USPAP).
8. Neither all, nor any part of the contents of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to the appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if the appraisal fee is paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, any state or federally approved financial institutions, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the appraiser.
9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner.

### **Environmental Disclaimer**

The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials and environmental conditions on or around the property that would negatively affect its value.

### **Certification**

The appraiser certifies and agrees that:

1. The appraiser has no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The appraiser has no personal interest in or bias in respect to the subject matter of the appraisal report or the participants to the sale. The "estimated of market value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. The appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales listed in the report. To the best of the appraiser's knowledge and belief, all statements and information in this report is true and correct and the appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions Contained in the report).
5. This appraisal report has been made in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), and is subject to, the requirements of the code of professional ethics and standards of the Uniform Standards of Professional Appraisal Practice (USPAP).
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the appraiser whose signature appears on the appraisal report, unless indicated as "review appraiser". No change of any item in the appraisal report shall be made by anyone other than the appraiser, and the appraiser shall have no responsibility for any such unauthorized change.

The subject property is appraised as though under responsible ownership and competent management.

**Zoning and Licenses:**

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use have been stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the information relating to the location of or existence of public utilities that has been obtained through a verbal inquiry from the appropriate utility authority, or has been ascertained from visual evidence is correct. No warranty has been made regarding the exact location or capacities of public utility systems.

It is assumed that all licenses, consents or other legislative or administrative authority from local, state, or national governmental or private entity or organization have been, or can be, obtained or renewed for any use on which the value estimate contained in the valuation report is based.

### **General Limiting Conditions**

The appraisers will not be required to give testimony or appear in court due to preparing the appraisal with reference to the subject property in question, unless prior arrangements have been made.

Possession of the report does not carry with it the right of publication. Out-of-context quoting from or partial reprinting of this appraisal report is not authorized. Further, neither all nor part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraisers signing this appraisal report.

Any copy that does not have an original signature of the appraiser is unauthorized and may have been altered, and is considered invalid.

Disclosure of the contents of this report is governed by the Standards and Statements of the Uniform Standards of Professional Appraisal Practice (USPAP). Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations media, new media, sales media or any other public means of communication without the prior written consent and approval of the author.

The distribution of the total valuation in this report, between land and improvements, is applicable only as a part of the whole property. The land value, or the separate value of the improvements, must not be used in conjunction with any other appraisal or estimate and is invalid if so used.

No environmental or concurrent impact studies were either required or made in conjunction with the appraisal report. The appraisers, thereby, reserve the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental or concurrent impact studies, research or investigation.

An appraisal related to an estate in land that is less than the whole fee simple estate applies only to the fractional interest involved. The value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate considered as a whole.

The appraisal report related to a geographical portion of a larger parcel is applied only to such geographical portion and should not be considered as applying with equal validity to other portions of the large parcel or tract. The value for such geographical portions plus the value of all other geographical portions may or may not equal the value of the entire parcel or tract considered as an entity.

The appraisal is subject to any proposed improvements or additions being completed as set forth in the plans, specifications, and representations referred to in the report, and all work being performed in a good and workmanlike manner. The appraisal is further subject to the proposed improvements or additions being constructed in accordance with the regulations of the local, county, and state authorities. The plans, specifications, and representations referred to are an integral part of the appraisal report when new construction or new additions, renovations, refurbishing, or remodeling applies.

If the appraisal is used for mortgage loan purposes, the appraisers invite attention to the fact that

1. the equity case requirements of the sponsor have not been analyzed,
2. the loan ratio has not been suggested, and
3. the amortization method and term have not been suggested.

The function of this report is not for use in conjunction with a syndication of real property. This report cannot be used for said purposes and, therefore, any use of this report relating to syndication activities is strictly prohibited and unauthorized. If such an unauthorized use of this report takes place, it is understood and agreed that Childers' Financial Services has no liability to the client/and or third parties.

Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general underlying assumptions and general limiting conditions. The appraisers' duties, pursuant to the employment to make the appraisal, are complete upon delivery and acceptance of the appraisal report. However, any corrections or errors should be called to the attention of the appraisers within 60 days of the delivery of the report.

# Kentucky Real Estate Appraisers Board

2002-03

Hereby grants a

*Certified General Real Property Appraiser  
Certificate*

License No<sup>000615</sup>

To  
*Clifford L. Childers  
Childers Financial Svcs. Inc.  
205 Parkers Mill Rd.  
Somerset, KY 42501-3151*

*who has complied with the provisions of Chapter 324A of the Kentucky Revised Statutes IN WITNESS  
WHEREOF, we have caused the official seal to be affixed and attested for the year shown above.*



*George K. Cox, Chairman  
Judy Walters, V. Chairman  
Jed Deters  
Carol Dupont  
Maxine Smith*

Control No<sup>15524</sup>

*June 30, 2003*

THIS CERTIFICATE EXPIRES



## PERSONAL DATA

Name of Appraiser <u>Clifford L. Childers</u>	PROFESSIONAL DESIGNATIONS (Include Year Earned) General Real Property 1991
Firm Name <u>Childers Financial Services, Inc.</u>	
Business Address <u>205 Parkers Mill Road</u>	
Phone (606) <u>678-4956</u> Soc. Sec. No. <u>407-62-2121</u>	

## MEMBERSHIPS

LIST MEMBERSHIPS IN PROFESSIONAL AND TECHNICAL ORGANIZATIONS RELATED TO YOUR CURRENT EMPLOYMENT ACTIVITIES, AND OFFICE(S) HELD
--

## EDUCATION

FORMAL EDUCATION		
NAME OF INSTITUTION	DATES	TYPE OF DEGREE OR CERTIFICATE
<u>Campbellsville College</u>	<u>1967-1969</u>	<u>BA Degree</u>
<u>University of Kentucky</u>	<u>1964-1967</u>	<u>Associates Degree</u>
<u>Somerset High School</u>	<u>1960-1964</u>	<u>Diploma</u>
PROFESSIONAL AND TECHNICAL (APPRAISAL) COURSES SATISFACTORILY COMPLETED		
COURSE TITLE	DATES	SPONSORING ORGANIZATION
<u>Residential Appraising</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>Advanced Residential</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>Uniform Standards</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>URAR Appraisal Report</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>2-4 Family Income</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>Commercial/Industrial App.</u>	<u>1991</u>	<u>Academic Systems Institute</u>
APPRAISAL CONFERENCES, SEMINARS, AND CLINICS ATTENDED DURING THE PAST THREE YEARS		
ACTIVITY	DATES	SPONSORING ORGANIZATION
<u>1999 USPAP Update</u>	<u>Jan 1999</u>	<u>KREAB</u>
<u>Income Capitalization</u>	<u>Mar 1999</u>	<u>Wilson Educational Group</u>
<u>HP 12c Financial Calculator</u>	<u>Jun 1999</u>	<u>Wilson Educational Group</u>
<u>FHA Appraising</u>	<u>Sep 1997</u>	<u>FHA Single Family Branch</u>
<u>Course 8.3</u>	<u>Feb 1996</u>	<u>Independent Fee Appraisers</u>

## EMPLOYMENT HISTORY

BEGINNING WITH PRESENT EMPLOYMENT, LIST CHRONOLOGICALLY ALL EMPLOYMENT RELATED TO APPRAISING FOR THE PAST FIVE YEARS.				
NAME AND ADDRESS OF EMPLOYER (INDICATE IF SELF-EMPLOYED)	BUSINESS TITLE	PRINCIPAL DUTIES	DATES	% OF TIME DEVOTED TO APPRAISING
<u>Childers Financial Services, Inc.</u>	<u>General Real Property</u>	<u>Commercial &amp; Residential App</u>	<u>1986-present</u>	<u>100</u>
<u>First &amp; Farmers Bank</u>	<u>Public Relations Officer</u>	<u>Public Relations</u>	<u>1985-1986</u>	<u>100</u>

## EXPERIENCE SUMMARY

GIVE APPROXIMATE NUMBER AND DOLLAR AMOUNT OF EACH DIFFERENT TYPE OF APPRAISAL REPORT PREPARED FOR CLIENTS, GOVERNMENTAL AGENCIES OR LENDERS IN THE PAST FIVE YEARS.					
TYPE	EXISTING CONSTRUCTION	PROPOSED CONSTRUCTION	TYPE	EXISTING CONSTRUCTION	PROPOSED CONSTRUCTION
<u>SINGLE FAMILY DETACHED DWELLINGS</u>	<u>2000</u>	<u>800</u>	<u>APARTMENTS (21 or more living units)</u>		
<u>CONDOMINIUMS</u>	<u>100</u>		<u>SUBDIVISIONS</u>		<u>5</u>
<u>PLANNED UNIT DEVELOPMENTS</u>			<u>COMMERCIAL</u>	<u>175</u>	<u>50</u>
<u>DWELLINGS (2 to 4 living units)</u>	<u>50</u>	<u>15</u>	<u>INDUSTRIAL</u>	<u>40</u>	<u>25</u>
<u>APARTMENTS (5 to 20 living units)</u>	<u>5</u>		<u>LAND (finished lots, raw land)</u>	<u>400</u>	
<u>OTHER</u>			<u>OTHER Farms</u>	<u>100</u>	
GIVE NUMBERS OF APPRAISAL REPORTS PREPARED IN THE PAST TWO YEARS FOR THE FOLLOWING:					
1. INSTITUTIONAL INVESTORS <u>0</u>		2. GOVERNMENTAL AGENCIES <u>Pulaski Circuit Court</u> <u>Rockcastle Circuit Crt</u>		3. PRIVATE MORTGAGE INSURERS <u>0</u>	
BRIEFLY DESCRIBE REVIEW APPRAISING EXPERIENCE. <u>Desk Review and Field Review using forms 2000, 2002, 2004, 2006, and Commercial Review form 4002.</u>					

## APPRAISAL ACTIVITY AREA

DEFINE THE AREA OF YOUR APPRAISAL ACTIVITY. LIST CITIES OR COUNTIES. <u>Pulaski, Rockcastle, Madison, Laurel, Whitley, McCreary, Lincoln, Adair, Wayne, Clinton, Cumberland, Metcalfe, Barren &amp; Boyle Counties.</u>
--

## APPRAISER RESUME

CLIFF.RES

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Pulaski, Rockcastle, Madison, Laurel, Whitley, McCreary, Lincoln, Adair, Wayne, Clinton, Cumberland, Metcalfe, Barren & Boyle Counties.



# ATLANTIC APPRAISAL COMPANY, INC.

REAL ESTATE APPRAISERS AND CONSULTANTS

2355 Huguenard Drive, Suite 202  
Lexington, KY 40503  
Phone (859) 273-2060 Fax (859) 273-2061  
~~www~~AtlanticAppraisal.com

August 18, 2003

South Kentucky RECC  
Mr. Alan Anderson  
Head Coach & CEO  
925-929 North Main Street  
Somerset, KY 42502-910

RE: Vacant Site  
U.S. Highway 27 & Route 700  
Whitley City, McCreary County KY  
AAC # 03-127

Dear Mr. Anderson;

At your request, the current market value of the fee simple interest in the real property referenced above has been estimated. According to information provided by South Kentucky RECC, the property includes an approximate 6.89 acre vacant site with no improvements and two access points; from U.S. Highway 27 and State Route 700. Property characteristics have been taken from the appraiser's on-site inspection, recorded deeds, recorded plats, building plans, leases and lease summaries, interviews with Rick & Chip Stephens, the current property owners.

This is a Complete Appraisal in a Restricted Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it presents no discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analysis has been retained in the appraiser's file. The depth of discussion in this report is specific to the needs of the client and for the intended use stated in this report. No one other than the client is an intended user of this report and unintended users should not rely on this report. Atlantic Appraisal Company and its appraisers are not responsible for unauthorized use of this report.

This appraisal employed only the Sales Comparison Approach to value. However, this is most appropriate to value vacant sites such as the subject. As a result, this appraisal included a Complete analysis with no departures from specific guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) were invoked.

The undersigned appraiser asserts that he has the knowledge and expertise to undertake and complete a professional appraisal analysis on the above described property, and that the following report complies with their understanding of USPAP and the Standards of the Appraisal Institute with no departures. The following restricted appraisal report sets forth the findings and conclusions, subject to the Definitions and General Underlying Assumptions and Limiting Conditions contained in this report.

The estimated exposure time implicit in this valuation is twelve months. To comply with Title XI FIRREA legislation, a probable marketing time for the subject has been estimated. After a careful review of the market data, it is our opinion that a reasonable marketing time of the subject property, "As Is," is twelve months (Please refer to Addenda).

Based on our investigations of August 03, 2003, the current market value of the fee simple interest in the real property, "As Is," as of August 03, 2003 was estimated to be:

ONE MILLION THIRTY THREE THOUSAND FIVE HUNDRED  
DOLLARS

(\$1,033,500)

Thank you for the opportunity to be of service in this matter. If you have questions regarding the method of appraisal or the indicated value, please contact our office.

Respectfully submitted,  
Atlantic Appraisal Company, Inc.



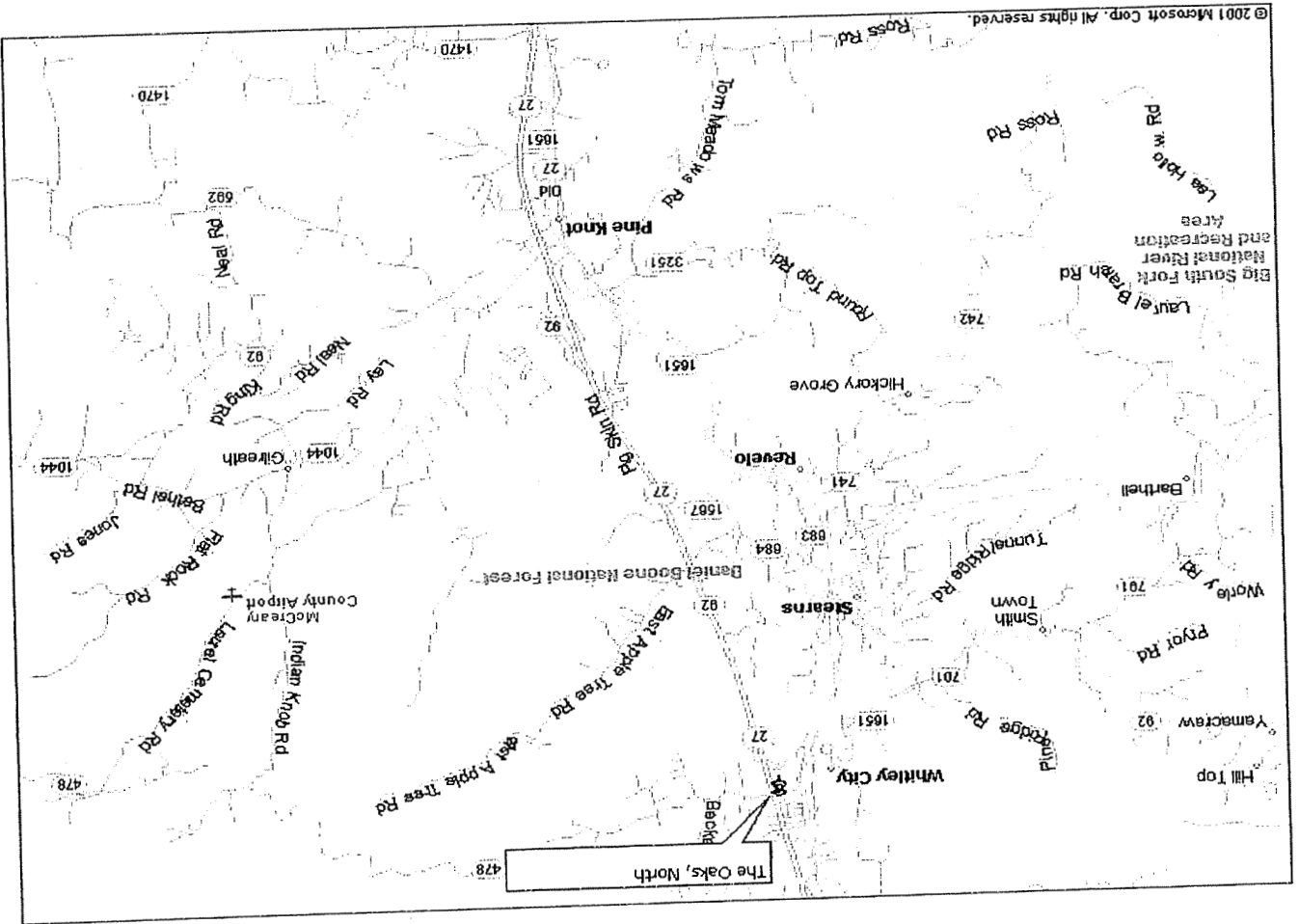
Keith E. Mays, MAI  
Kentucky Certified General Real Estate Appraiser # 000828

Attachment

## Summary of Important Facts and Conclusions

---

Property Address:	U.S. Highway 27 Whitley City, McCreary County, KY
Date of Valuation:	August 03, 2003
Purpose of Appraisal:	To Estimate Current Market Value
Type of Analysis/Report:	Complete/Restricted
Property Rights Appraised:	Fee Simple Interest
Land Area:	6.89 Acres
Building Area:	N/A
Type of Improvement:	N/A
Zoning:	None
Highest and Best Use:	General Commercial Use
Value Indications:	Cost Approach N/A
	Sales Comparison Approach \$1,033,500
	Income Capitalization Approach N/A
	Final Market Value \$1,033,500
Estimated Exposure Time:	Twelve Months
Estimated Marketing Time:	Twelve Months



## General Information

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<b>Applicant/Client</b>	This appraisal was requested by South Kentucky RECC, Mr. Allen Anderson, CEO, 925-929 North Main Street, Somerset, KY.
<b>Purpose of Appraisal</b>	The purpose of this appraisal is to estimate the current market value of the fee simple interest in the real property known as the Partially Improved Site along U.S. Highway 27 and Route 700 in Whitley City, McCreary County, Kentucky.
<b>Dates of Appraisal/Report</b>	The effective date of valuation for the subject property is August 03, 2003; this report is dated August 18, 2003.
<b>Intended Use of Appraisal</b>	This appraisal report is to be used to assist the client with certain financing and mortgage lending decisions. This report is addressed to South Kentucky RECC, Mr. Allen Anderson, CEO, 925-929 North Main Street, Somerset, KY at his request. Neither Mr. Anderson, nor anyone else at South Kentucky RECC, nor the owners of the subject, directed the appraiser in any way in determining the final value.
<b>Competency Provision</b>	The Competency Provision of the <i>Uniform Standards of Professional Appraisal Practice</i> (USPAP) states in brief that prior to accepting an appraisal assignment, an appraiser must have the knowledge and experience to complete the assignment completely or disclose the lack thereof, and take all necessary steps and describe in the appraisal report the steps taken to complete the assignment competently. In adherence with the Competency Provision of USPAP, the signing appraisers attest they have adequate knowledge and experience to appraise the subject property.
<b>Scope of Work</b>	<p>This appraisal includes a complete analysis of the subject considering three approaches to value known as Cost, Sales Comparison, and Income Capitalization Approaches. In preparing this appraisal, the appraiser:</p> <ul style="list-style-type: none"><li>■ viewed the subject site, inspected the neighborhood and surrounding area;</li><li>■ reviewed legal descriptions, deeds, plats, existing leases on similar properties;</li><li>■ gathered and confirmed sales information for similar sites;</li><li>■ applied the appropriate approach(es) to value to arrive at an indication of value.</li></ul>



This is a Complete Appraisal in a Restricted Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it presents no discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analysis has been retained in the appraiser's file. The depth of discussion in this report is specific to the needs of the client and for the intended use stated in this report. No one other than the client is an intended user of this report and unintended users should not rely on this report. Atlantic Appraisal Company and its appraisers are not responsible for unauthorized use of this report.

This appraisal employed only the Sales Comparison Approach to value. However, this is most appropriate for valuing properties such as the subject, therefore, no departures from specific guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) were invoked.

The individual characteristics of each approach used in the valuation, as well as a brief discussion of their strengths and weaknesses, are included in the Valuation Methodology and Reconciliation sections to follow.

#### **Property Location**

The subject is located in Whitley City, McCreary County, Kentucky. It is more specifically located in a development known as "The Oaks." This development, situated along U.S. Highway 27 includes a Pamida retail store, a strip retail center, a Post Office and a local bank. Several additional parcels are available for development in what has become the 100% commercial location for the county. More particularly, the subject is in a new northern section of The Oaks the southwest quadrant of the intersection of U.S. Highway 27 & Route 700. Presently there is a mobile home sales center on a portion of this north section of The Oaks as well as a medical clinic. The remainder of this section is yet to be developed.

#### **Title History**

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According to the McCreary public records, the subject is currently owned by LEL, Ltd. A Kentucky Limited Partnership controlled by Larry E. Loudermilk and Loraine Loudermilk, his wife. However, the Loudermilks have leased the subject and other contiguous land to R.G. Stephens, Inc. who in turn assigned the interest in the property to Stephens Family Development, LLC, a Kentucky Limited Liability Company. This is a long term land lease effectively conveying fee simple title to the property to the lessee.

Therefore, for the purposes of this report, it is assumed that the property is held in fee simple title by Stephens Family Development.

According to available information and a search of the public records, it appears no other transfers have occurred in the past three years. A complete title search has not been undertaken and title to the property is not warranted. The subject is not known to be currently listed for sale or under contract.

## **The Subject Site**

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The subject is an irregularly shaped parcel identified on a preliminary plat map as several lots with a combined total of 6.89 acres. It has good access and good visibility, but no frontage along, U.S. Highway 27 and ample depth from the right of way. It also has frontage and direct access from Route 700 to the north. It is generally level and clear, having recently been graded to its present level. All utilities necessary for development are available. It is suitable for any number of uses that may be found in this area.

## **Highest and Best Use**

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**As Though Vacant**      The Highest and Best Use of the land as though vacant is for commercial development.

**As Improved**      The Highest and Best Use of the land as improved is for general commercial or light industrial uses.

## **Valuation Methodology**

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In estimating the current market value of the subject property, only the Sales Comparison approach to value was used because the subject is a vacant, partially improved site. The Cost and Income approaches were not utilized because there were no building improvements to value and no leases other than mentioned above.

## **Sales Comparison Approach**

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**Methodology**      The Sales Comparison Approach is based on the assumption that a knowledgeable investor will pay no more for a property than the cost of acquiring an existing property with basically the same utility. In this approach, value was estimated by comparing the sales of similar properties to the subject.

In researching the local market the appraiser interviewed Rick and Chip Stephens, the current owners. Chip Stephens provided copies of deeds and a summary of sales data taken from the public records pertinent to transactions along and adjacent to U.S. Highway 27 and intersecting roadways.

The appraiser also viewed the sales with Chip Stephens to gain a better understanding of the sales locations and their characteristics with reference to the subject.

There were a total of over fifteen transactions initially considered in this analysis. As a result of the initial inspection and confirmation of the sales, some were eliminated because they were improved or did not have the same highest and best use as the subject, and some were combined for further consideration as they represented an assemblage of more than one parcel.

After this initial analysis, the remaining sales were then compared to the subject on an individual basis and adjustments were made as necessary for various elements including; rights conveyed, financing, conditions of sale, market conditions (time), location or access, existing improvements, size/shape, topography/soils, utilities available, and other things such as easements or highest and best use.

The following grid outlines the pertinent characteristics of each of the comparables and the adjustments made.

### Comparable Commercial Land Sales Summary and Adjustment

[illegible]

Comparable #9	Comparable #10	Comparable #11	Comparable #12a	Comparable #12b	Comparable #13	Comparable #14	Comparable #16	Comparable #17a	Comparable #17b	Comparable #17a & #17b	Comparable #18
W side of U.S. 27 south of Bentley Whitley City	NW corner of U.S. 27 & Court St Whitley City	NE corner of U.S. 27 & Court St Whitley City	SW corner of U.S. 27 & Hwy 478 Whitley City	SW corner of U.S. 27 & Hwy 478 Whitley City	E side of U.S. 27 @ Arto Kidd Rd Whitley City	W side of U.S. 27 1/2 mile north of U.S. 92 Pine Knot	E side of U.S. 27 across from Daugherty Drug Pine Knot	SE corner of U.S. 27 & Hwy 92 Pine Knot	SE corner of U.S. 27 & Hwy 92 Pine Knot	SE corner of U.S. 27 & Hwy 92 Pine Knot	NE corner of U.S. 27 & Hwy 92 Pine Knot
Krebs	G W Hatfield	Richard Young	Kathy Stephens	Three C's, Inc	Carl D. Brown, et ux	Gene Daugherty, et ux	Judi King	Joe Jackson	Jersey Stephens	Jackson & Stevens	Jersey Stephens
Morrow March 2003	Roy Bruce March 1996	Roy Bruce June 1999	Three C's, Inc May 2000	Máton C. Blankenship September 2001	Bank of McCreary County April 1997	Jonathan Lay, et ux January 1999	Dennis Beard, et ux July 2002	Shelva Jones April 1999	Shelva Jones April 1999	Shelva Jones April 1999	McCreary County Board of Education December 2002
164/086	137/670	150/084 & 150/462	153/389	158/523	141/200	151/787	161/568	149/377	149/381	149/377 & 149/381	Deed not available
Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
\$65,000	\$62,500	\$85,000	\$215,000	\$240,000	\$112,500	\$65,000	\$28,000	\$125,000	\$200,000	\$325,000	\$195,000
All	All	All	All	All	All	All	All	All	All but sewer	All but sewer	All
Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial
U.S. 27	U.S. 27 & Court St	U.S. 27 & Court St	U.S. 27 & Hwy 478	U.S. 27 & Hwy 478	U.S. 27 & Arto Kidd Rd	U.S. 27 via an access esmt	U.S. 27 via an access esmt	U.S. 27 via an access esmt	U.S. 27 via an access esmt	U.S. 27 via an access esmt	U.S. 27 via an access esmt
0.453	0.39	0.28	0.947	0.947	0.665	0.9	0.35	0.21	0.09	2.3	0.48
\$143,488	\$160,256	\$303,571	\$227,033	\$253,432	\$169,173	\$72,222	\$80,000	\$595,238	\$95,694	\$141,304	\$406,250
Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$143,488	\$160,256	\$303,571	\$227,033	\$253,432	\$169,173	\$72,222	\$80,000	\$595,238	\$95,694	\$141,304	\$406,250
Market	Market	Market	Market	Market	Market	Market	Market	Market	Market	Market	Market
Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$143,488	\$160,256	\$303,571	\$227,033	\$253,432	\$169,173	\$72,222	\$80,000	\$595,238	\$95,694	\$141,304	\$406,250
Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length	Arms Length
Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$143,488	\$160,256	\$303,571	\$227,033	\$253,432	\$169,173	\$72,222	\$80,000	\$595,238	\$95,694	\$141,304	\$406,250
None	None	None	None	None	None	None	None	None	None	None	None
Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$143,488	\$160,256	\$303,571	\$227,033	\$253,432	\$169,173	\$72,222	\$80,000	\$595,238	\$95,694	\$141,304	\$406,250
5	89	50	39	23	76	55	13	52	52	52	8
Similar	Significant	Significant	Significant	Moderate	Significant	Significant	Moderate	Significant	Significant	Significant	Minor
1%	15%	8%	7%	13%	9%	9%	2%	9%	9%	9%	1%
\$144,684	\$184,028	\$328,869	\$241,790	\$263,147	\$190,602	\$78,843	\$81,733	\$646,825	\$103,987	\$153,551	\$411,667
Inferior	Similar	Similar	Inferior, behind federal fence	Inferior, behind federal fence	Inferior, not a controlled intersection	Inferior, behind federal fence, no frontage on U.S. 27	Inferior, behind federal fence, access via esmt	Inferior, behind federal fence	Inferior, behind federal fence	Inferior, behind federal fence	Inferior, behind federal fence
25%	0%	0%	15%	15%	15%	50%	35%	35%	35%	35%	25%
None	None	Old house, removed	Old house removed	None	None	None	None	None	Removal of home	Removal of home	Removal of burned out building
0%	0%	5%	5%	0%	0%	0%	0%	0%	5%	2%	5%
Significantly smaller	Significantly smaller	Significantly smaller	Significantly smaller	Significantly smaller	Significantly smaller	Significantly smaller	Significantly smaller	Significantly smaller	Smaller	Smaller	Significantly smaller
-50%	-50%	-50%	-35%	-35%	-40%	-35%	-50%	-50%	-15%	-10%	-40%
Very steep, required much sewerwork	Substantial fill, not properly compacted	Substantial fill, not properly compacted	Mostly below road grade	After fill	Required fill & retaining wall	Similar	Steep slope	Similar	Steep slope, fill required	Steep slope, required fill	Similar
50%	25%	25%	15%	0%	50%	0%	15%	0%	25%	15%	0%
Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	No sewer at time of sale	No sewer at time of sale	Similar
0%	0%	0%	0%	0%	0%	0%	0%	0%	15%	15%	0%
Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
25%	-25%	-20%	0%	-20%	25%	15%	0%	-15%	65%	57%	-10%
\$180,854	\$138,021	\$263,095	\$241,790	\$210,517	\$238,252	\$80,669	\$81,733	\$549,802	\$171,579	\$241,075	\$370,500

**Sales Comparison  
Approach  
Summary**

In the final reconciliation, consideration was given to all the sales. The range of unit price indications prior to adjustment was from \$30,667 to \$595,238 per acre. This range is considered excessive in larger markets where a more significant number of sales can be analyzed, however, in this community, where very few parcels with commercial potential are available, and with the significant differences in access or topography it is acceptable.

As a result of adjusting the sales for the reasons stated above, the range of unit price indications was reduced, being from \$80,262 to \$549,8702. The adjusted average or arithmetic mean of the adjusted indications was \$205,133.

The sales with better frontage and access to U.S. Highway 27 typically sell for higher unit prices than those behind the federal fence or those requiring a significant amount of fill to create a level site.

The subject is unique to the area having a compacted base, ample depth from the right of way, and access from two roads and a controlled intersection. Nevertheless, while it does have good visibility, it does not have direct frontage along U.S. Highway 27. Therefore, its unit value was estimated at \$150,000 per acre. The market value via the Sales Comparison Approach is estimated in the following table.

<i>Sales Comparison Approach Summary</i>	
6.89 acres @ \$150,000 per acre =	\$1,033,500
<b>Rounded To</b>	<b>\$1,033,500</b>

## **Reconciliation and Final Estimate of Value**

Real estate appraisal practice ordinarily uses three approaches to value. These approaches, commonly referred to as the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach, provide the basis for arriving at a final value estimate. In estimating the current market value of the subject property, only the Sales Comparison approach was used. The value estimate as indicated by this approach is shown in the following table.

<i>Summary of Value Indications</i>	
Cost Approach	N/A
Sales Comparison Approach	\$1,033,500
Income Capitalization Approach	N/A

**Reconciliation and  
Final Value  
Conclusion**

The Sales Comparison approach provided a wide, yet reasonable range of value estimates. When sufficient data is available, the Sales Comparison typically provides the best representation of market value.

Based on our investigations of August 03, 2003, the current market value of the fee simple interest in the real property, "As Is" was estimated to be:

ONE MILLION THIRTY THREE THOUSAND FIVE  
HUNDRED DOLLARS

(\$1,033,500)

## **Addenda**

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- Engagement Letter
- Estimate of Exposure and Marketing Time
- Certification
- Assumptions and Limiting Conditions
- Environmental Disclaimer
- Appraisers Qualifications



## Engagement Letter

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## ATLANTIC APPRAISAL COMPANY, INC.

REAL ESTATE APPRAISERS AND CONSULTANTS

2355 Huguenard Drive, Suite 202  
Lexington, KY 40503  
Phone (859) 273-2060 Fax (859) 273-2061  
[www.AtlanticAppraisal.com](http://www.AtlanticAppraisal.com)

July 23, 2003

South Kentucky Rural Electric Co-operative  
Mr. Allen Anderson  
CEO  
925- 929 North Main Street  
Somerset, KY 42503

VIA FAX (606) 679-8279

RE: South Kentucky Rural Electric Co-operative  
US Hwy 27  
McCreary County, KY 42642  
AAC #03-127

Dear Mr. Anderson,

In response to your request, Atlantic Appraisal Company, Inc. is pleased to present this proposal for your consideration. This proposal is based on our conversation and information provided by you regarding the real property to be valued. If any of the subject data or the scope of services outlined in this letter is inconsistent with your understanding, please contact us so that any necessary modifications may be made to this engagement agreement.

A complete appraisal considering all applicable approaches to value will be undertaken to estimate the current market value of the fee simple interest in the real estate referenced above. The conclusions of the analysis will be presented in a restricted report in compliance with Uniform Standards of Professional Appraisal Practice (USPAP). Two original copies of the report will be prepared and sent to you within 2 weeks after receiving in this office all data necessary to complete the analysis. Please forward as much of the following data that you may have in your possession.

1. Signed engagement letter
2. Copy of boundary sketch
3. Any pertinent details of the proposed land lease
4. Any in factual data on subject and area from previous appraisal.

After considering the scope of the analysis, we propose a fee of \$2,000. This amount is due upon delivery of the reports. Interest may be charged on any outstanding balance after 30 days. This engagement is not contingent upon any pre-determined conclusion or direction of value, nor the

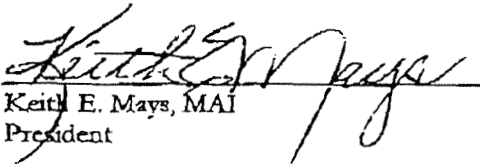
MR. ANDERSON  
JULY 23, 2003  
PAGE TWO

funding of a loan. The fee does not include any post appraisal consultation, pre-trial or testimony that may be billed separately.


This engagement letter is intended to set forth the complete agreement and become a legally binding contract between Atlantic Appraisal Company, Inc. and South Kentucky Rural Electric Co-operative, the client. Signing below indicates the signer is authorized to enter into this contract on behalf of the client and agrees to be bound by the terms and conditions contained herein. The terms and conditions of this agreement may not be changed without express written consent of both parties hereto.

If this is agreeable, please sign below and return a copy to this office with all requested information.

Sincerely yours,

  
Keith E. Mays, MAI  
President

Accepted by:

  
Mr. Allen Anderson  
CEO  
South Kentucky Rural Electric Co-operative

7-23-03  
Date

COMPOSED 006579-279 7-682 095/13 11-294

## **Estimate of Exposure and Marketing Time**

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The marketing period for the subject has been estimated, based on being priced in line with this appraisal, using available information derived from these sources:

1. The marketing period reported for comparable sales including, but not limited to, the sales comparison approach section of this report.
2. Conversations with local real estate professionals (including appraisers and brokers) specifically dealing with typical marketing periods of similar type properties in the general market area of the subject.
3. Surveys of investors who invest in similar type properties.
4. The experience of the appraiser in estimating a marketing period for similar property types and uses in similar market areas across the country.

Based upon the determination of the subject's Highest and Best Use, with consideration given to the overall condition and physical characteristics of the subject, it is estimated that a reasonable exposure time preceding the actual sale of the subject, and thus implicit in our value estimate, is six to twelve months.

After a review of the information from the previously cited sources, it is the appraiser's opinion that the estimated marketing period for the subject can be expected to be six to twelve months.

## Certification

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The undersigned appraisers certify that, to the best of our knowledge and belief:

The statements of fact contained in this appraisal report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report and no personal interest or bias with respect to the parties involved.

We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

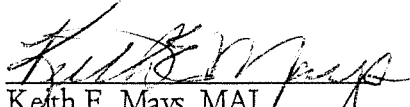
The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. We do not authorize the out-of-context quoting from or partial reprinting of this appraisal report. Furthermore, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraisers signing this report.

As of the date of this report, Keith E. Mays, MAI, has completed the continuing education program of the Appraisal Institute.

Keith E. Mays made a personal inspection of the property that is the subject of this report and an external inspection of the comparables. Mr. Mays

conducted the analysis, wrote the report and made the final determination of value.

No one else provided significant real property assistance to the persons signing this report.

  
Keith E. Mays, MAI

Kentucky Certified General Real Estate Appraiser # 000828

8/18/03  
Date

## **Assumptions and Limiting Conditions**

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No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.

The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.

Responsible ownership and competent property management are assumed unless otherwise stated in this report.

The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.

It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

It is assumed that the use of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

Unless otherwise stated in this report, the appraiser has made an interior and exterior appraisal inspection of the subject improvements to determine the type and quality of materials used in the construction of the subject improvements. This inspection should not be confused with an inspection performed by a qualified building inspector or engineer. The appraiser is not a qualified building inspector and was not acting in that capacity.

Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

The appraisal inspection should not be confused with an inspection performed by a qualified technician specializing in the type of system in question. Systems may include, but are not limited to, elevators, HVAC systems, telephone systems, utilities, security systems, fire systems, etc. The appraiser is not qualified to determine if the property is or is not compliant. The presence of systems which are not compliant may adversely affect the property's value, marketability, or utility.

Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.



The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.